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Director & State Health Officer

State of California—Health and Human Services Agency  
**California Department of Public Health**



EDMUND G. BROWN, JR.  
Governor

December 4, 2014

AFL 14-25.1

**TO:** Acute Psychiatric Hospitals  
General Acute Care Hospitals  
Special Hospitals

**SUBJECT:** SB 1276: Hospital Fair Billing Policies (Charity Care and Discount Payment Plans)

**AUTHORITY:** Health and Safety Code Sections 127400, 127405, 127420, and 127425

This All Facilities Letter (AFL) is being re-issued to clarify the meaning of “patients with high medical costs” for purposes of Hospital Fair Pricing statutes. Health and Safety Code section 127400(g) defines a patient with high medical costs as “a person whose family income does not exceed 350 percent of the federal poverty level.”

Effective January 1, 2015, SB 1276 (Chapter 758, Statutes of 2014) expands the availability of charity care and discount payment plans to all “patients with high medical costs,” as defined in HSC section 127400(g), including patients with third-party insurance coverage. SB 1276 also clarifies that a patient’s application, or pending application, for another health coverage program does not preclude the patient from being eligible for a hospital’s charity care or discount payment program.

SB 1276 requires hospitals to negotiate the terms of discount payment plans with the patient, and take into consideration the patient’s family income and essential living expenses. If an agreement cannot be reached with the patient, the hospital must institute a reasonable payment plan, with monthly payments of less than 10 percent of a patient’s family income for a month after deductions for essential living expenses. Any affiliate, subsidiary, or external collection agency must comply with the hospital’s definition and application of a reasonable payment plan.

SB 1276 also requires hospitals to make a reasonable effort to obtain a patient’s third-party health coverage information, including coverage through Covered California. If a hospital bills a patient who has not provided proof of coverage by a third party at the time the care is provided or upon discharge, the hospital must notify the patient that they may be eligible for health coverage through Covered California, or other state or

county-funded health coverage.

The hospital must also provide the patient with a referral or list of local consumer assistance centers that are housed at legal services offices.

The information in this AFL is a brief summary of the changes that SB 1276 makes to the HSC. Facilities are responsible for following all applicable laws. The California Department of Public Health's failure to expressly notify facilities of statutory or regulatory requirements does not relieve facilities of their responsibility for following all laws and regulations. Facilities should refer to the full text of all applicable sections of the HSC and Title 22 of the California Code of Regulations.

If you have any questions, please contact your respective Licensing & Certification District Office.

Sincerely,

**Original signed by Jean Iacino**

Jean Iacino  
Interim Deputy Director